

MANDI GOBINDGARH INDUCTION FURNACE ASSOCIATION (REGD.)

GRAIN MARKET, MANDI GOBINDGARH-147301 (PUNJAB)

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President

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To,

The Secretary,
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Subject:- "Draft Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) (Fifth Amendment) Regulations, 2016" read with the Explanatory Memorandum issued by the Hon'ble Commission.

Respected Madam,

Reference the Public Notice dated 28.10.16 on the subject.

Most respectfully, the Objector herein is an association of Induction Furnace Consumers having LS connections at 11/66 KV voltage level from PSPCL in and around Mandi Gobindgarh, the steel town of Punjab. The Association is presently representing 70 induction furnaces submits its suggestion/comments on the subject draft as under:-

1. The present submissions/objections are being filed by the Mandi Gobindgarh Induction Furnace Association. It is an association of induction furnace industries in the steel city of Mandi Gobindgarh in Punjab and are purchasing power through open access.
2. The Hon'ble Commission has issued the draft Regulation along with the Explanatory Memorandum calling for comments from the stake holders.

3. After going thru' the proposed draft, we find that Hon'ble Commission has proposed Amendment to Regulation 9 of the Principal Regulations as under:

"(1) Sub-clause (1) of Regulation 9 of the Principal Regulations shall be substituted as under:

"(1)The transmission charges for MTOA customers who are not availing LTA to target region for the capacity under MTOA shall be charged 1.25 times of the LTA POC rates as notified by the Commission from time to time.

(2) The transmission charges for STOA customers who are not availing LTA to target region for the capacity under STOA shall be charged 1.35 times of the normal STOA POC rates as notified by the Commission from time to time.

Provided that the surplus charges collected under above clauses shall be reimbursed back to DICs paying charges under first bill in the next month."

4. The Section A (Background) of the explanatory memorandum states that the quantum of purchase of power in short term format has increased as the price of power has gone down over the years. The central transmission system is developed based on the Long Term Access applications. Due to reduction in number of long term consumers, the augmentation of transmission lines and creation of new transmission corridors is also suffering whereas for transfer of power, more transmission corridors and associated systems are required urgently.
5. At the same time, the generators which have been allowed Long Term Access on the basis of target region are unable to find Long Term Buyers and are being burdened with Long term Open Access Charges. Due to this reasons many generators are approaching the Hon'ble Central Commission for relinquishment of long term access and selling power under STOA and MTOA.
6. In this regard, the objector submits that there is large scale variations in the demand pattern of various Discoms spread over the length and breadth of the

country. The seasonal variations due to changing weather pattern in northern region are so wide that demand in winter reduces to almost 50 to 60% of the summer demand whereas the variations in southern region are not so prominent. The demand pattern varies over the 24 hours period also depending up on the economic prosperity of the state, extent of industrialisation of the state, Agriculture pattern etc. Under these circumstances the Discom has to prudently decide on the quantum of power to be generated from own sources and quantum to be procured under long term contracts depending on the base load and future projections of load growth. Balance requirement has to be arranged thro' short term open access. As such the short term access is utmost necessary to keep the sale of power tariff to consumers as low as possible otherwise discom will be burdened with fixed charges of surrendered power affecting their ability to serve the consumers.

7. In light of the above submissions, Hon'ble Commission is requested to take into account the difficulties of Discoms and consumers also while deciding on the relief proposed to be given to the generators who have obtained long term access based on target region but after commissioning of their projects are not able to find buyers. The Hon'ble Commission, instead of burdening the end consumers by forcing the Discoms to enter into long term PPAs for power required only for part of the period over the year or for part of the day, may devise other ways and means to develop the transmission corridors/lines for flow of power from one region to other region etc.
8. The short term open access is availed mainly by Discom or industrial consumer's thro' bilateral contracts and Power exchange. The increase in short term CTU charges will increase the tariff for Industry which is already facing stiff competition from other countries mostly China and Korea etc which are offering their products much cheaper compared with Made in India products. Therefore, the price of electricity needs to be kept lower for which transmission charges need to be kept competitive and short term access should not be made to cross subsidise the long term access of generators who have set up their projects without entering into long Term PPAs.
9. It is wrong to blame STOA for the under utilisation of LTA by generators. It is in fact the Discoms which are not coming out with tenders for long term purchase of power due to their own limitations as explained above. Increasing the STOA rates is therefore no solution as it is not going to give any market signal for execution of Long term PPAs. In fact it will happen only when the demand increases.

10. One of the objectives of the Electricity Act, 2003 is to promote open access and provide non-discriminatory open access to the consumers subject to payment of charges. However, the scheme of the proposed amendments as per Draft Regulations will not achieve this mandate and will instead; create several impediments and road-blocks in obtaining the open access for consumers.
11. The purchase of short term power by most of the consumers and even some Discoms is through the Energy Exchange which is interstate transfer of power through open access and the proposed regulation will increase the charges and pose a threat to purchase of such power.
12. It is respectfully submitted that as per the above proposal, the Hon'ble Commission has proposed for an increase in the MTOA and STOA charges by 1.25 times and by 1.35 times respectively.
13. It is our humble submission that in order to let Open Access survive, any increase in transmission charges should be avoided. The proposed hefty increase in transmission charges shall increase the landed/delivered price of the short term power and in such case the landed price for power under STOA and MTOA shall become onerous for the open access consumers in the state.
14. MTOA/STOA is allowed on marginal capacity and is availed by industrial consumers of states depending on its viability vis-à-vis state tariff. States have already imposed and/or increased Cross subsidy surcharge and additional surcharge reducing the STOA by embedded consumers. Increasing the CTU charges will make the purchase of short term power unviable in some more states resulting in reduction in the utilisation of transmission assets.
15. Further, the STOA and MTOA is allowed only on the surplus margin of the transmission system which is likely to remain unutilized and is additional revenue. STOA has the last priority for allotment and first priority for cancellation. Thus STOA consumer takes the risk of cancellation/curtailment of allotted capacity and loss of production. STOA needs to be incentivised.
16. Increasing charges for MTOA & STOA shall not directly help building of transmission capacity as these charges are returned to LTA entities. Excess revenue collected is distributed to all DICs in proportion to their LTA quantum which means that additional revenue is not used for building of transmission capacity.

17. Charging higher than actual cost to serve when the usage is to meet the variation in demand due to natural causes etc is certainly unfair to the STOA consumers. As a result of this, the very essence of competitive power under open access will be lost and will kill the short term open access completely.

We request for due consideration of the above submissions.

Thanking you,
Yours faithfully,

For Mandi Gobindgarh Induction Furnace Asso. (Regd.)


(Authorised Signatory) President